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SUBJECT: INTERNATIONAL MARITIME ORGANIZATION (IMO): REPORT OF THE FIFTY-SIXTH SESSION OF THE TECHNICAL CO-OPERATION COMMITTEE AND THE NINETY-SIXTH SESSION OF COUNCIL, LONDON, 13-23 June 2006.

11. SUMMARY: The International Maritime Organization (IMO, or "the Organization") held meetings in London from June 13 through June 23, 2006, consisting of the Technical Co-operation Committee's fifty-sixth session (TCC56) and the Council's ninety-sixth session (C96). Significant agenda items during TCC56 included: the biennial report of IMO's Integrated Technical Co-operation Committee (ITCP); options for financing the ITCP in the future, given increasing demand for its services; and the linkage of ITCP's activities to the 2005 World Summit Outcome. Significant agenda items during C96 included: resource and risk management; organizational change; strategic planning; the voluntary IMO Member State audit scheme; reports of the Maritime Safety, Marine Environment, and Technical Cooperation Committees; annual reports by IMO's educational institutions; IMO's relations with other organizations; observer status for Non-Governmental Organizations; changes to the membership of the Organization; and Kenya's proposal to create more diverse geographic representation on the Council. The Bahamas and India gave statements on the record to thank the United States Navy for its efforts to protect merchant shipping off the Somali coast from pirate attacks. END SUMMARY.

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TECHNICAL CO-OPERATION COMMITTEE SESSION FIFTY-SIX  
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12. Chaired by Mr. Ben Owusu-Mensah (Ghana), TCC 56 was held from 13-15 June 2006 and mainly covered routine housekeeping matters. However, USDEL met informally with members of the Secretariat, including Mr. David Edwards, the Director of the Secretariat's Technical Cooperation Division, to consider ways to increase USG involvement in the ITCP and improve non-assessed funding.

13. DELEGATION INFORMATION. Delegations from fifty-nine Member States participated in TCC. (Membership is open to all IMO member states.) Two intergovernmental organizations and two non-governmental organizations attended as observers. USDEL for TCC 56 consisted of Mr. Laurence Tobey, Department of State (Representative), and Mr. Jeremy Cairl, U.S. Coast Guard (Alternate).

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IMO'S INTEGRATED TECHNICAL CO-OPERATION PROGRAM (ITCP)  
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14. INTEGRATED TECHNICAL CO-OPERATION PROGRAM BIENNIAL REPORT. The Integrated Technical Cooperation Program (ITCP) is the IMO's assistance program for developing countries. The program exists to enable member states to achieve compliance with IMO conventions. The 2004-2005 ITCP report showed the highest outputs ever recorded, both in terms of volume and the delivery rate, with global and

regional activities totaling some USD \$13 million in 2005 alone and reaching a total of USD \$27 million for the two-year period. This represents an increase of USD \$15 million over the previous two years, resulting in the delivery of 74 missions and 224 training events with an estimated 7,367 participants. The Chairman urged member states, international and regional organizations, and the maritime industry to maintain and increase their financial and in-kind contributions to the ITCP to support a variety of IMO initiatives, including the Voluntary IMO Member State Audit Scheme.

15. FINANCING OPTIONS. The most involved discussion concerned options for financing the future activities of the ITCP. The Secretariat presented a paper warning that current financing

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arrangements, which depend on the surplus of the IMO Printing Fund to subsidize the ITCP, could not be relied on in the future as the primary source of funding for the ITCP. Increasing demands for technical cooperation assistance, combined with the need to divert resources to technical cooperation projects made necessary by disasters such as the Asian tsunami, are likely to outstrip the surplus generated by the Printing Fund's publications program in the near future. The Secretariat's draft paper offered three options for discussion to supplement the Printing Fund surplus (which would continue to be used under all the options):

-- a Supplementary Assessment above and beyond the assessment already levied on member states (Option A);

-- a Voluntary Contribution to be requested from member states (Option B); or

-- priority for allocation of surpluses from other IMO funds (Option C).

The Committee did not reach consensus on any of these options.

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Approximately 20 delegations spoke in favor of Option C, in some cases suggesting additional sources of funding. The mandatory assessment (Option A) received support from only two delegations, while the Voluntary Contribution (Option B) received support from only three delegations. Several delegations directly opposed the mandatory assessment, while others expressed wariness that the voluntary contribution option would soon evolve into a mandatory contribution. The Secretariat paper also mentioned a possible assessment on non-governmental organizations that have consultative status with IMO, on the assumption that they represented shipping industry groups that could afford to pay. Several delegations questioned the wisdom of this, pointing out that the NGOs are already providing important "in-kind" contributions to the ITCP. One delegation proposed a fourth variant not supplied by the Secretariat: a fee of USD ten

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to be collected from every ship to which IMO issues its registration number, and a similar fee to be assessed on every company to which IMO issues a new company identification number. In view of the lack of consensus, the Committee recommended that the Council approve an inter-sessional working group to further study the issue.

16. LINKING THE ITCP TO THE 2005 WORLD SUMMIT OUTCOME. The Committee considered an Angolan paper (requested by the prior session of the TCC) that set out a strategy to strengthen the linkage between the ITCP and the UN's Millennium Development Goals (MDGs). This paper contended that maritime transportation has a direct impact on at least five of the MDGs, including the eradication of extreme poverty and hunger; the promotion of gender equality and empowerment of women; combating HIV/AIDS, malaria and other diseases; ensuring environmental stability; and developing a global partnership for development. (NOTE: Neither the papers nor the discussions of this item contained any references to U.S. "redline" items such as GDP-based aid targets or global taxes. END NOTE.) The Angolan paper pointed out that small island developing states are uniquely dependent on maritime transportation; the Least Developed Countries depend on maritime transportation to access

overseas markets for their agricultural exports and for imports of machinery, equipment and other goods; and employment in the shipping industry for some developing countries, which are major suppliers of seafarers, provides access to much-needed foreign currency. The paper proposed that the ITCP's target should be reducing "maritime poverty" (see below) by half by 2015. For example, the freight costs for maritime transportation for developing countries are more than double those paid in developed market-economy countries. Angola called for ITCP to work to reduce the freight rate differential between developed and developing countries by 50 per cent by 2015.

¶7. South Africa presented a complimentary paper that defined "maritime poverty." A state is said to be in maritime poverty if its maritime activities or maritime resources are inadequate or non-existent, and if its maritime transportation system falls below existing standards and provides a hazardous marine environment in which to operate. The paper points out that of the twenty poorest countries in the world, ten of them are coastal states, and nine of these are in Africa. Of the 49 least developed countries, 31 are coastal states. In addition to providing a classification scheme to quantify maritime resources (examples: ships, lighthouses, search and rescue assets, pollution prevention, and maritime lawyers), the paper also provided a basis for describing maritime poverty and linking it with the poverty of a country in general terms, i.e., where a weak maritime transportation sector acts as a drag on a developing country's economy.

¶8. The Angolan and South African papers received many favorable comments from delegations including some from developed countries and from the IMO Secretary General. The TCC agreed to establish a Working Group to harmonize the documents to reach a clearer definition of what needs to be done and to be more pragmatic, recognizing that the objectives of the MDGs go well beyond the mandate of the IMO.

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COUNCIL NINETY-SIXTH SESSION (C96)  
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¶9. Chaired by Mr. Johann Franson (Sweden), C96 was held from 19-23 June 2006. USDEL intervened on the following agenda items: resource management; risk management; the Voluntary IMO Member State Audit Scheme; the report of the Maritime Safety Committee (MSC); the report of the Technical Co-operation Committee; the issue of piracy off the coast of Somalia; and Kenya's proposal regarding the outcome of Council elections and interpretation of Article 17 of the IM Convention. USDEL met separately with Secretary General (SG) Efthimios Mitropoulos (Greece) to extend an invitation to meet ADM

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Allen, the new Commandant of the U.S. Coast Guard at USCG Headquarters; to identify ways to increase USG involvement in the ITCP; and to discuss the long-term financial sustainability of the ITCP.

¶10. DELEGATION INFORMATION. Delegations from all forty Council Member States participated. In addition, forty-four Member States, one Associate Member, one Non-Member, two intergovernmental organizations, and twelve non-governmental organizations attended as observers. The United States Delegation for C96 consisted of Mr. Laurence Tobey, Department of State (Representative); Ms. Katherine Johnson, U.S. Coast Guard (Alternate); and Mr. Jeremy Cairl, U.S. Coast Guard.

¶11. MEETING WITH SG MITROPOULOS. USDEL met with the SG on 22 June 2006 and invited him to visit ADM Allen in Washington. The SG will be traveling to NYC on 27/28 October for a UN meeting. ADM Allen will send a formal letter of invitation to the SG. USDEL expressed continued USG support for a variety of IMO's initiatives, including increased participation in the ITCP. The SG confirmed his continued support of a variety of security-related initiatives that the USG supports. USDEL also explored a possible alternative financing method (approaching private humanitarian organizations, particularly those focused on Africa) to support the ITCP, and received the SG's

encouragement to prepare a formal proposal for a future session.

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MANAGEMENT ISSUES  
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¶12. RESOURCE MANAGEMENT. Council reviewed IMO personnel matters, including the 2005 cost of living survey; insurance for staff members in the event of a nuclear, biological, or chemical terrorist attack; restructuring of the Secretariat Subdivision for Pollution Prevention (no budgetary implications); implementation of paternity leave; and a new definition of fraud for internal controls purposes.

As instructed, USDEL joined consensus in accepting these reports. IMO currently employs four American citizens in professional posts. The IMO's External Auditor (the Comptroller General of India) gave the IMO an "unqualified" audit. However, the audit did point out that the United States owes some outstanding tax reimbursements to IMO for U.S. taxes paid by U.S. employees. USDEL gave a brief intervention pledging cooperation to resolve the matter and obtained details from Secretariat personnel to facilitate resolution. Council also considered routine reports on investments and arrearages in dues and the 2006 Budget. USDEL, per instructions, informed Secretariat staff that the U.S. assessed contribution for 2006 is expected to reach IMO in early summer. IMO is currently projecting a deficit of GBP 265,000 based on expenditures through April 30, 2006. The Secretary General gave a lengthy presentation on the measures being taken to reduce, if not eliminate, the deficit, and said that no increase in assessments would be sought from member states. In view of the Secretariat's clear recognition of the importance of eliminating the deficit, USDEL did not intervene.

¶13. ORGANIZATIONAL CHANGES. IMO is preparing to replace its Human Resources and Payroll systems, which are obsolete and difficult to maintain. In doing so, IMO is following the experience of UNICEF, which has successfully implemented the SAP Human Resources and Payroll systems, reflecting a phased approach towards one common UN system. In view of the upcoming refurbishment of the IMO building, to begin in August 2006, IMO has postponed implementation of SAP Human Resources and Payroll systems until the initial phase of refurbishment has been completed. IMO is also preparing for the adoption of International Public Sector Accounting Standards (IPSAS). As instructed, USDEL conferred with Secretariat staff on the implementation of IPSAS, still in the planning stages. IPSAS will have to be proposed to the Council and then formally approved by the IMO Assembly. At present, the Secretariat is planning for IPSAS implementation in 2010, following decisions of the UN High Level Committee on Management and the Task Force on Accounting Standards and eventual approval by the IMO governing bodies.

¶14. The other principal organizational change in the near future is the refurbishment of the IMO Headquarters Building, to begin in August 2006 with planned completion in July 2007. Council consensus on the project was consistent with Department's understanding that this project is being well executed, with excellent cooperation between the UK Government and the IMO. The UK Government is covering 80 per cent of the renovation cost, and the IMO is covering the remaining 20 percent. The contractor selected is the UK firm Overbury.

¶15. STRATEGIC PLANNING. The IMO is in the first year of a five-year strategic planning period. The plan provides for three strategic

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directions and uses 16 performance indicators. A working group on strategic planning will meet in March 2007. Several delegations commented that the data being generated by this plan will have much broader application than IMO management, and will also be very useful to the shipping industry and others interested in studying shipping and its economic and social impacts.

¶16. RISK MANAGEMENT. The IMO established a Finance and Risk Management Working Group in November 2005. The SG emphasized that the "risks" to be managed are much more than financial risk. They also include "strategic risks" (e.g., failure to keep pace with technological innovation; over-regulation; damage to the

Organization's reputation among core constituencies due to any failure to meet expectations); Operational Risks (e.g., risks to business operations; resistance to change); and Hazard Risks (fire and property damage; business interruption; terrorist attacks). The SG also added what he called "failures of corporate governance," citing the collapse of the Enron Corporation. He linked this risk to the failure of internal controls. The Secretariat paper called for establishment of an independent, non-management body to review risk and mitigation, and the creation of a risk-management working group that would report to the Council. USDEL intervened briefly to support this proposal.

¶17. THE IMO'S VOLUNTARY MEMBER STATE AUDIT SCHEME. The IMO has no enforcement mechanism to require member states to follow IMO's safety and environmental standards. Until now, enforcement and implementation have been handled exclusively by the member states without oversight. Approved by the IMO Assembly in November 2005, the Voluntary Member State Audit Scheme (the Audit Scheme) is a new mechanism by which international teams of qualified experts acting on behalf of IMO will carry out on-site audits of member states' ships and facilities to assess how effectively that member state is implementing and enforcing relevant IMO Convention standards. The auditors will provide the member state with feedback and advice to improve performance. SG Mitropoulos takes a strong personal interest in the implementation of the Audit Scheme. The SG took many opportunities during the Council session to encourage Member States to nominate as many qualified auditors as possible and to volunteer to be audited. A number of delegations indicated their progress toward readiness for audit. USDEL intervened to:

-- express support for the SG and Member States on the progress made so far;

-- bring to the Council's attention the fact that the USCG has nominated five auditors to participate in the Audit Scheme, and two auditors to participate as trainers in the regional courses;

-- announce that the United States plans to be audited in 2008; and

-- put U.S. support on record for the future inclusion of security-related instruments into the Audit Scheme.

All U.S. objectives were met concerning this issue.

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REPORTS OF THE COMMITTEES  
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¶18. The Council considered the reports of the Maritime Safety, Legal, Marine Environmental Protection, and Technical Cooperation Committees.

¶19. MARITIME SAFETY COMMITTEE (MSC). USDEL intervened to commend the work of MSC81 toward adoption of new Safety of Life At Sea (SOLAS) regulations that will provide for the U.S.-proposed Long Range Identification and Tracking of Ships (LRIT). In addition, the USDEL conveyed strong support for the expansion of the Global Maritime Distress and Safety System (GMDSS), while also encouraging the entry of new satellite providers into the market. At the same time, USDEL spoke against any role for the International Mobile Satellite Organization (IMSO) in implementing LRIT.

¶20. TECHNICAL COOPERATION COMMITTEE (TCC). Council considered the report of the Technical Cooperation Committee, which had met the prior week (see paras. 2-8). USDEL gave a brief intervention commending the IMO's technical cooperation program, including both the Committee and the Secretariat's Technical Cooperation Division, highlighting the increase in assistance provided in the most recent biennium, and offering to increase U.S. in-kind support to the technical Cooperation Program pursuant to a Memorandum of Understanding between IMO and the US Coast Guard originally signed in 1998.



¶21. IMO EDUCATIONAL INSTITUTIONS. Council considered and approved reports from the IMO's World Maritime University; the International Maritime Law Institute, and the International Maritime Academy. USDEL made no interventions on these items.

¶22. EXTERNAL RELATIONS. Council considered the IMO's relations with the UN, its subsidiary bodies and specialized agencies, and the Joint Inspection Unit; relations with intergovernmental organizations; and relations with non-governmental organizations.

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PIRACY  
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¶23. The Council considered piracy off the coast of Somalia as an external relations matter, taking note of the UN Security Council's adoption of a Presidential Statement on Somalia that supported IMO's Assembly and Council resolutions on this matter. The Presidential Statement encouraged states with naval and air assets in the region to take action to protect merchant shipping. During discussion, USDEL intervened to reiterate U.S. support for IMO's efforts to combat piracy off Somalia, and to note for the record that on several occasions U.S. Navy warships have taken action against pirates; one such intervention resulted in the capture of pirates who are now awaiting trial in Kenya. Korea reported that one of its fishing vessels has been held by pirates since April 2006, and contrary to initial news reports, the crew has not yet been released.

¶24. The Council also considered a Secretariat paper proposing the appointment of an IMO "liaison office" to be located at UN Headquarters in New York. The Secretariat contended that IMO previously had such a representative and is now one of only four UN agencies that does not have such a representative. However, the proposal was poorly received and the Council called for a more detailed proposal for the next session.

¶25. RELATIONS WITH NONGOVERNMENTAL ORGANIZATIONS. The Council declined to grant observer status to the Stichting Chemical Distribution Institute (CDI); the International Tar Association (ITA); the Black Sea International Shipowners Association (BINSAs); and the European Marine Equipment Council (EMEC). The Council also decided to defer the application from the Association of Diving Contractors International (ADCI) pending further completion of their application, and to defer the application of the Federation of National Associations of Ship Brokers and Agents (FONASBA) pending alignment with the UN's "One China Policy." The Council agreed to allow the application of the International Association of Maritime Universities (IAMU) to proceed for further screening by TCC and the MSC.

¶26. MEMBERSHIP AND STATUS OF CONVENTIONS. Only states can be members of the IMO. Membership now stands at 166 Member States and three Associated Members. The Council revisited the application of the Cook Islands for membership in its own right, rather than as a non-self-governing territory of New Zealand. The Council endorsed this application in 1999, but it must receive the approvals of two thirds of the Organization's members for membership to be granted. Although four more countries have approved the application since the last Council session, the Cook Islands still needs 46 more approvals. The United States does not recognize the Cook Islands as a sovereign state. The U.S. position is based on the Cook Islands' dependence on New Zealand for foreign affairs and for defense. The observer delegation of the Cook Islands provided USDEL with a document that purports to show independence from New Zealand in both categories. (NOTE: This has been reviewed within the Department and has been found to contain no new information. END NOTE.) The Council also received a report on the status of IMO conventions that are in the process of being signed, ratified, or brought into force. The SG encouraged expeditious ratifications.

¶27. DATE AND PLACE OF NEXT COUNCIL SESSION. The Council decided to meet in London November 6-10, 2006. Due to the refurbishment of the IMO headquarters building, the U.K. Government will provide an alternative site at no additional cost to the member states.

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KENYA CALLS FOR GREATER GEOGRAPHIC DIVERSITY IN THE COUNCIL  
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128. In the most lengthy and spirited discussion of the session, the Council considered a written document and oral intervention by Kenya calling for a change in how elections to the Council are conducted. The Kenyan delegation renewed remarks made after the Assembly voted

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the current Council into office in November 2005, at which time Ghana and Nigeria lost their seats in Category C.

129. Kenya called for the Council to direct the Secretariat to implement a new interpretation of Article 17 of the IMO Convention to require broader geographic diversity among Council members in Category C. Kenya contended that Article 17 provides that the states elected in Category C should ensure the representation of all major geographical areas of the world. Kenya's written submission asserted that "the whole of West and Central Africa, South America, and Eastern Europe were excluded." (NOTE: Informally, the Kenyans told us that the African countries were most incensed that so many small European countries had won seats on the Council at the same time as Ghana and Nigeria lost; they mentioned Belgium as a country that was too insignificant to warrant a seat. While it is true that Kenya and South Africa were the only Sub-Saharan African states to be elected in Category C, African Union members Algeria and Egypt were also elected in that category. In South America, Chile was elected to Category C, while Argentina and Brazil were also elected in Category B. Venezuela was defeated for reelection to Category C. In Eastern Europe, Russia was re-elected in Category A. The only other candidate from the region was Poland, which failed to win re-election to Category C. END NOTE.)

130. Kenya's presentations led to many proposed remedies, none of which gained consensus. USDEL commented on one proposal which suggested that Council membership should be granted to all members of the Organization. USDEL noted that if this variant were adopted, the Council would replicate the Assembly. Worse, there would be a danger that the unwieldy size of the enlarged council would slow down decision-making. With no firm consensus, and in light of several delegations' comments that the Kenyan resolution was not specific enough to be decided by a yes/no vote, the Council eventually agreed that the Secretariat should undertake a study on the issue of geographical representation in the Council, including a comparison of the practices of other specialized agencies of the United Nations, for submission to the next session of Council.

TUTTLE